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GENERAL MORTGAGE
CORPORATION OF CANADA

Canco

1973 annual report



directors

Allan L. Beattie, Q.C.
Toronto, Ontario
Matthew Gaasenbeek
Islington, Ontario
Derek C. Hannaford
Westmount, Quebec
Leonard Henderson
Mississauga, Ontario
John A. McCleery, F.C.A.
Don Mills, Ontario
Charles Orenstein
Toronto, Ontario
Donald A. Ross, C.A.
Calgary, Alberta
Robert H. E. Walker, Q.C., D.S.O., E.D.
Montreal, Quebec
Jack B. Whitely
Baie D'Urfé, Quebec

officers

Jack B. Whitely
Chairman of the Board
Donald A. Ross, C.A.
President
Leonard Henderson
Vice-President — Secretary
Leslie Stimpson
Vice-President
Christopher J. Cann
Treasurer
Winston De La Espriella
Assistant Treasurer

auditors

Thorne Gunn & Co.

counsel

Osler, Hoskin & Harcourt

head office

8 King Street East, Toronto, Canada M5C 1B5

GENERAL MORTGAGE CORPORATION OF CANADA

DIRECTORS' REPORT TO SHAREHOLDERS

Your company made good progress during 1973, despite the impact of very high costs of bank and other short to medium term borrowings.

During the year the company continued its expansion of earnings and assets, a trend which began in 1971. Net income amounted to \$137,664 or \$1.21 per share compared to \$93,197 or 82 cents per share in 1972. It is particularly gratifying to note that pre-tax earnings for the year increased by 68% as compared to 1972.

The principal activity of the company was the expansion of Mortgage Fund B. Mortgages in this Fund grew from \$8,745,599 to \$15,165,465 an increase of 73 per cent. Further, bank indebtedness at December 31, 1972 of \$1,170,000 was retired and \$1,060,100 in maturing series B bonds were paid out. This activity was financed by two \$3,000,000 series B bond issues and a further issue of \$2,800,000 variable rate and term series B bonds out of an authorized \$5,000,000 of this issue.

Mortgage Fund A continued to decline, the mortgage principal reduction being applied to bank indebtedness.


The steady expansion of your company's lending operations makes desirable an increase in the company's borrowing ratio from the present 12.5 times admitted capital to 17 times admitted capital. The increase in the borrowing ratio will allow the expansion of General Mortgage assets to approximately \$30,000,000.

During 1973 Mr. W. Teron resigned from your board to devote his energies to public service. Mr. Leonard Henderson who has served your company as Director, Secretary and General Manager for many years has asked that his name not be submitted for re-election. We wish to express our appreciation to both Mr. Teron and Mr. Henderson for their contribution to the success of the company.

Mr. C. Orenstein joined your board during the year, and his contribution to the company's affairs has been most welcome.

The continued growth of your company attests to the loyalty and dedication of General Mortgage management and staff to whom we wish to extend our sincere appreciation.

ON BEHALF OF THE BOARD

A handwritten signature in dark ink, appearing to read "D.A. T." followed by a long, horizontal, slightly wavy line that ends in a small hook.

President

December 31, 1973.

BALANCE SHEET — DECEMBER 31, 1973

(with comparative figures at December 31, 1972)

ASSETS

	1973	1972
General Fund		
Cash	\$ 16,190	\$ 83,861
Bank deposit receipts	20,000	110,000
Investment in preferred stocks, at cost (quoted market value 1973, \$651,347; 1972, \$674,013) (note 1)	775,428	744,448
Mortgages receivable	1,189,279	857,558
Office equipment and leasehold improvements, at cost less accumulated depreciation of \$24,181 (1972, \$17,024)	28,961	21,532
Unamortized financing expenses (note 2)	246,482	127,303
	<u>2,276,340</u>	<u>1,944,702</u>
Mortgage Fund A		
Cash	13,970	4,187
Mortgages receivable, issued under the National Housing Act ...	1,443,893	1,629,140
	<u>1,457,863</u>	<u>1,633,327</u>
Mortgage Fund B		
Cash	39,773	38,396
Bank deposit receipt	200,000	
Mortgages receivable	15,165,465	8,745,599
	<u>15,405,238</u>	<u>8,783,995</u>
	<u>\$19,139,441</u>	<u>\$12,362,024</u>

We hereby certify that to the best of our knowledge and belief the foregoing balance sheet is correct and shows truly and clearly the financial condition of the corporation's affairs.

DONALD A. ROSS, C.A., President
LEONARD HENDERSON, Vice-President and Secretary } Directors.
CHRISTOPHER J. CANN, Treasurer

GENERAL MORTGAGE CORPORATION OF CANADA

(Incorporated by Special Act of Parliament under the laws of Canada)

LIABILITIES

	1973	1972
General Fund		
Accounts payable and accrued liabilities	\$ 3,000	\$ 5,755
Income and other taxes payable	25,652	2,018
	<u>28,652</u>	<u>7,773</u>
Deferred service fees (note 3)	176,578	96,560
Deferred income taxes	210,367	117,290
Capital stock		
Authorized		
803,200 shares, par value \$10 per share		
Issued		
113,360 shares	1,133,600	1,133,600
General reserve	125,000	100,000
Unappropriated profits	602,143	489,479
	<u>1,860,743</u>	<u>1,723,079</u>
	<u>2,276,340</u>	<u>1,944,702</u>
Mortgage Fund A		
Demand bank loans, secured by Series A bonds	1,444,000	1,620,500
Accrued interest	13,863	12,827
	<u>1,457,863</u>	<u>1,633,327</u>
Mortgage Fund B		
Demand bank loans, secured by Series B bonds		1,170,000
Series B bonds (note 2)	15,031,650	7,354,650
Accrued interest and expenses	289,075	168,622
Mortgages payable	84,513	90,723
	<u>15,405,238</u>	<u>8,783,995</u>
	<u>\$19,139,441</u>	<u>\$12,362,024</u>

AUDITORS' REPORT

To the Shareholders of
General Mortgage Corporation of Canada

We have examined the balance sheet of General Mortgage Corporation of Canada as at December 31, 1973 and the statements of income and unappropriated profits for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the corporation, these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 9, 1974

THORNE GUNN & CO.
Chartered Accountants.

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1973

(with comparative figures for 1972)

	1973	1972
Revenue		
Interest earned on mortgages and bank deposit receipts	\$1,413,703	\$ 885,896
Service fees earned (note 3)	138,416	48,380
Dividend income	45,655	43,287
Gain on sale of investments	10,643	10,872
	<u>1,608,417</u>	<u>988,435</u>
Expenses		
Bank and bond interest	1,080,926	639,718
Amortization of financing expenses (note 2)	55,094	29,921
Salaries, pension fund payments and other staff benefits	117,955	91,584
All other administrative expenses including depreciation of \$7,157 (\$5,067 in 1972)	123,701	90,093
	<u>1,377,676</u>	<u>851,316</u>
Income before income taxes	230,741	137,119
Income taxes		
Current		400
Deferred	93,077	43,522
	<u>93,077</u>	<u>43,922</u>
Net income for the year	<u>\$ 137,664</u>	<u>\$ 93,197</u>
Net income per share	<u>\$ 1.21</u>	<u>\$.82</u>

STATEMENT OF UNAPPROPRIATED PROFITS

YEAR ENDED DECEMBER 31, 1973

(with comparative figures for 1972)

	1973	1972
Unappropriated profits at beginning of year	\$ 489,479	\$ 396,282
Net income for the year	137,664	93,197
	627,143	489,479
Transfer to general reserve	25,000	
Unappropriated profits at end of year	<u>\$ 602,143</u>	<u>\$ 489,479</u>

GENERAL MORTGAGE CORPORATION OF CANADA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1973

1. INVESTMENT IN PREFERRED STOCKS

No provision for decline in value of the investment in preferred stocks has been made. The company considers that this decline is not permanent and that no provision is necessary as it is not the company's intention to currently dispose of these securities.

2. SERIES B BONDS, MORTGAGE FUND B

Bonds mature as follows:

	1973	1972
1973		\$ 1,060,100
1974	\$ 115,500	76,000
1975	400,250	89,250
1976	4,204,500	4,043,500
1977	3,799,300	2,085,800
1978	6,492,100	
1979	20,000	
	<u>\$15,031,650</u>	<u>\$ 7,354,650</u>

Financing expenses are being amortized on a monthly basis over the term of the bonds.

3. SERVICE FEES EARNED

Effective January 1, 1973 the company has adopted the following policy of taking service fees into revenue:

Fees are taken into service fees earned over the term of the mortgage on the sum of the years digit method, except for an amount equal to the estimated cost of establishing mortgage files which amount is included in service fees earned in the year the cost is incurred. Had this policy not been adopted service fees earned and net income for the year ended December 31, 1973 would have decreased by \$14,800 and \$7,250 respectively.

In 1972 service fees were taken into service fees earned, without considering the revenue related to the estimated cost of establishing mortgage files, over the term of the mortgage on the sum of the years digit method. However, if the current policy had been in effect in 1972 there would have been no material difference in the reported service fees earned.





